

Message Text

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ORIGIN SS-25

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DRAFTED BY E:CRFRANK:NAF:OSG
APPROVED BY E:RICHARD N. COOPER
EA:AGEBER
S/S:MR SEBASTIAN
EB:PBOEKER
EB:SBOSWORTH

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R 192053Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA
INFO USMISSION EC BRUSSELS
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
AMEMBASSY BERN
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AMEMBASSY KINGSTON
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AMEMBASSY CARACAS
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AMEMBASSY CANBERRA
AMEMBASSY MADRID
AMEMBASSY BUENOS AIRES
AMEMBASSY YAOUNDE
AMEMBASSY MEXICO
AMEMBASSY LIMA
AMEMBASSY BELGRADE
AMEMBASSY LUSAKA
AMEMBASSY LAGOS
AMEMBASSY MANILA
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AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY SINGAPORE
USMISSION USUN NEW YORK
USMISSION GENEVA

C O N F I D E N T I A L STATE 087802

EXDIS

E.O. 11652: GDS

TAGS: EGEN, CIEC

SUBJECT: COOPER-WIDJOJO MEETING ON NORTH-SOUTH DIALOGUE
AND BILATERAL ISSUES

BEGIN SUMMARY: MAIN FOCUS OF MEETING BETWEEN UNDER SECRE-

TARY OF STATE FOR ECONOMIC AFFAIRS RICHARD COOPER AND
MINISTER WIDJOJO WAS THE NORTH-SOUTH DIALOGUE, INCLUDING
THE PARIS CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION
AND THE UNCTAD SPONSORED NEGOTIATIONS ON INDIVIDUAL COMMO-
DITIES AND A COMMON FUND. MR. COOPER STRESSED THAT CIEC
IS A STEP IN A CONTINUING NORTH-SOUTH DIALOGUE, THAT CONSI-
DERABLE PROGRESS HAD BEEN MADE ON NORTH-SOUTH PROBLEMS AND
THAT THERE WERE SUBSTANTIAL PROSPECTS FOR FUTURE PROGRESS IN
THE AREAS OF COMMODITIES, OFFICIAL DEVELOPMENT ASSISTANCE,
AND INTERNATIONAL COOPERATION TO SOLVE LONG-TERM ENERGY
PROBLEMS. MR. COOPER SAID THAT THE DEVELOPED COUNTRIES
HOPED THAT CIEC WOULD BE DEEMED A SUCCESS. HE NOTED THAT
THE DEVELOPING COUNTRIES COULD EITHER COOPERATE IN ACHIEV-
ING A CONCILIATORY MOOD AT CIEC OR TURN CIEC INTO A CON-
FRONTATIONAL MORASS THAT COULD IMPEDE FURTHER PROGRESS ON
NORTH-SOUTH ISSUES.

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MINISTER WIDJOJO STRESSED THE IMPOR-
TANCE OF THE COMMODITIES ISSUE AND FELT THAT PROGRESS ON
COMMODITIES WAS THE KEY TO A SUCCESSFUL AND CONTINUING
NORTH-SOUTH DIALOGUE. END SUMMARY.

1. ON APRIL 13 IN NEW YORK, UNDER SECRETARY OF STATE FOR
ECONOMIC AFFAIRS RICHARD N. COOPER MET WITH MINISTER OF
PLANNING FOR INDONESIA, WIDJOJO. ALSO PRESENT WERE
AMBASSADOR ALATAS OF INDONESIA AND CHARLES FRANK OF MR.
COOPER'S OFFICE. MR. COOPER OPENED THE MEETING BY INQUIR-
ING ABOUT THE MEETING OF THE DONOR CONSORTIUM ON DEVELOP-
MENT ASSISTANCE FOR INDONESIA (IGGI). MINISTER WIDJOJO
RESPONDED THAT THE MEETING WENT QUITE WELL AND THAT THE
UNITED STATES DELEGATE WAS ESPECIALLY HELPFUL, PARTICU-
LARLY IN FINDING A SOLUTION TO THE PROBLEMS THAT AROSE
OVER REFERENCES TO HUMAN RIGHTS.

2. MR. COOPER INFORMED MINISTER WIDJOJO THAT THE U.S. WAS
ABOUT TO MAKE A POSITIVE DECISION ON PL-480 SHIPMENTS OF
RICE TO INDONESIA. BOTH MINISTER WIDJOJO AND UNDER SECRE-
TARY COOPER AGREED THAT THE MAJOR JUSTIFICATION FOR THE
SHIPMENTS WAS TO BUILD UP EMERGENCY STOCKS, NOT TO PROVIDE
RICE FOR CONSUMPTION PURPOSES.

3. MR. COOPER THEN PRESENTED AN OVERVIEW OF THE U.S. POSITION ON NORTH-SOUTH ISSUES. MR. COOPER INDICATED THAT

U.S. POLICY DID NOT REPRESENT A FULLY COORDINATED POSITION WITH THE OTHER DEVELOPED COUNTRIES. OUR POSITION DID REFLECT, HOWEVER, CONSIDERABLE CONSULTATION WITH THE EUROPEAN COMMUNITY AND THE GOVERNMENT OF JAPAN.

4. MR. COOPER SAID THAT THE PARIS CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION OUGHT TO SERVE AS THE FOCAL POINT FOR A BROAD OVERVIEW OF NORTH-SOUTH RELATIONS. CIEC SHOULD NOT BE REGARDED AS A NEGOTIATING FORUM. CONFIDENTIAL

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RATHER, THE CIEC CONFERENCE SHOULD TAKE NOTE OF PROGRESS MADE IN A WIDE RANGE OF OTHER FORA AND SHOULD INDICATE THE AREAS IN WHICH FURTHER PROGRESS WAS REQUIRED IN INSTITUTIONS SUCH AS UNCTAD, THE IMF INTERIM COMMITTEE, THE DEVELOPMENT COMMITTEE OF THE WORLD BANK AND IMF. CIEC SHOULD ALSO BE VIEWED AS ONE STEP IN A CONTINUING PROCESS OF NORTH-SOUTH DIALOGUE. EXPECTATIONS SHOULD NOT BE RAISED THAT CIEC WAS GOING TO PROVIDE THE FINAL ANSWERS TO ANY OF THE OUTSTANDING NORTH-SOUTH ISSUES.

5. MR. COOPER NOTED THAT SUBSTANTIAL PROGRESS HAD BEEN MADE ON NORTH-SOUTH ISSUES AND THAT THERE WERE GOOD PROSPECTS FOR CONTINUING PROGRESS. IF THE MINISTERIAL MEETING OF THE PARIS CONFERENCE ON INTERNATIONAL ECONOMIC

COOPERATION TAKES PLACE IN A CONCILIATORY AND COOPERATIVE ATMOSPHERE, IT WILL FACILITATE FUTURE PROGRESS. IF THE CONFERENCE ENDS IN BITTERNESS AND ACRIMONY, DISILLUSIONMENT MAY SET IN AND IT WILL BE DIFFICULT FOR US TO MOVE FORWARD IN A NUMBER OF IMPORTANT AREAS. THE DEVELOPED COUNTRIES WERE PREPARED TO APPROACH CIEC IN A COOPERATIVE MODE. IF THE DEVELOPING COUNTRIES APPROACHED CIEC IN THE SAME SPIRIT, IT WILL BE A SUCCESS. IF THEY WANT CONFRONTATION, THERE IS LITTLE THE DEVELOPED COUNTRIES CAN DO ABOUT IT.

6. MR. COOPER THEN POINTED OUT PROGRESS ALREADY MADE SINCE THE BEGINNING OF THE PARIS CONFERENCE. THE COMPENSATORY FINANCE FACILITY OF THE INTERNATIONAL MONETARY FUND HAD BEEN VASTLY EXPANDED AND HAD LENT 2.6 BILLION DOLLARS DURING 1976. A NEW INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT, WITH AN INITIAL CAPITALIZATION OF MORE THAN 1 BILLION DOLLARS, WAS ON THE VERGE OF BEING ESTABLISHED. AN IMF TRUST FUND TO ASSIST THE POOREST DEVELOPING COUNTRIES HAS BEEN ESTABLISHED. THE INITIAL FUND IS SMALL, BUT IT SHOULD GROW THROUGH TIME AS THE CAPITAL GAINS FROM CONFIDENTIAL

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IMF GOLD SALES ARE ADDED TO THE FUND. AN IMF QUOTA INCREASE OF ONE-THIRD HAD BEEN AGREED AND ITS EFFECTS ANTICIPATED BY ALLOWING COUNTRIES TO INCREASE THEIR DRAWINGS UNDER THE IMF BY SUBSTANTIAL AMOUNTS. SUBSTANTIAL FUNDS ARE BEING COMMITTED TO THE INTERNATIONAL DEVELOPMENT INSTITUTIONS, INCLUDING AN IDA V REPLENISHMENT WITH A 60 PERCENT INCREASE IN CONTRIBUTIONS BY TRADITIONAL DONORS, A SUBSTANTIAL CAPITAL INCREASE FOR THE INTER-AMERICAN DEVELOPMENT BANK, A QUADRUPLING OF THE CAPITAL BASE OF THE INTERNATIONAL FINANCE CORPORATION, AND A SELECTIVE CAPITAL INCREASE FOR THE WORLD BANK.

7. MR. COOPER THEN TURNED TO AREAS IN WHICH FUTURE PROGRESS MIGHT BE MADE. FIRST, CIEC COULD STIMULATE PROGRESS ON COMMODITIES IN UNCTAD AND OTHER APPROPRIATE FORA. MR. COOPER ALSO NOTED THAT PROGRESS HAD BEEN MADE TOWARD ACCEPTANCE OF MANY OF THE ELEMENTS OF THE UNCTAD-PROPOSED INTEGRATED COMMODITY PROGRAM. MR. COOPER ALSO NOTED THAT THE U.S. WAS SYMPATHETIC TO COMMODITY AGREEMENTS THAT ATTEMPT TO SMOOTH OUT SIDE FLUCTUATIONS IN PRICES AROUND A LONG-TERM TREND THROUGH BUFFER STOCKS OR OTHER METHODS OF MARKET IMPROVEMENT. MR. COOPER SAID THAT THE TECHNICAL PROBLEMS OF ACHIEVING ARRANGEMENTS OF THIS SORT WERE SERIOUS, BUT HE FELT THERE WERE REASONABLE PROSPECTS FOR MORE COMMODITY AGREEMENTS AND THAT WE SHOULD MAKE A SERIOUS EFFORT TO ACHIEVE MORE STABILITY.

8. MR. COOPER NOTED ALSO THAT, ASSUMING A NUMBER OF THESE COMMODITY ARRANGEMENTS COULD BE WORKED OUT, A COMMON FUND FOR THESE BUFFER STOCKS MAKES SENSE. MR. COOPER FELT THAT THERE WERE SAVINGS TO BE GAINED FROM POOLING OF THE FINANCING OF INDIVIDUAL BUFFER STOCK ARRANGEMENTS AND THAT A COMMON FUND COULD BE A FACILITATING MECHANISM FOR THE FINANCING OF INDIVIDUAL ARRANGEMENTS.

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9. MR. COOPER INDICATED THAT PROGRESS WAS ALSO POSSIBLE ON OTHER COMMODITY-RELATED ISSUES. THERE COULD BE MORE STRESS BY THE WORLD BANK AND THE REGIONAL DEVELOPMENT BANKS ON DIVERSIFICATION PROJECTS, EFFORTS TO IMPROVE PRODUCTIVITY IN RAW MATERIALS, AND FINANCING OF NEW INVESTMENTS IN RAW MATERIALS. THE U.S. WAS ALSO WILLING TO LOOK AT FURTHER EXPANSION OF THE IMF COMPENSATORY FINANCE FACILITIES TO STABILIZE LDC EXPORT EARNINGS THAT SHOULD PROVE NECESSARY AND IF IMF RESOURCES ARE ADEQUATE.

10. MR. COOPER PUT FORWARD, HOWEVER, A NUMBER OF CAVEATS IN THE COMMODITIES FIELD. HE THOUGHT THAT SOME ASPECTS OF THE UNCTAD PROPOSALS DID NOT MAKE MUCH SENSE. FOR

EXAMPLE, HE THOUGHT THAT IT WOULD BE UNWISE TO HAVE A COMMON FUND FINANCE DIVERSIFICATION PROJECTS OR RESEARCH ON PRODUCTIVITY IMPROVEMENT. THIS, MR. COOPER THOUGHT, WAS A MORE APPROPRIATE FUNCTION OF DEVELOPMENT-ORIENTED INSTITUTIONS SUCH AS THE WORLD BANK.

11. MR. COOPER ALSO EXPRESSED CONCERN ABOUT THE NATURE OF COMMODITY AGREEMENTS THAT WOULD BE FINANCED BY A COMMON FUND. WHILE IT WAS QUITE POSSIBLE FOR THE U.S. TO SUPPORT COMMODITY AGREEMENTS THAT STABILIZE PRICES AROUND A LONG-TERM TREND, IT COULD NOT SUPPORT AGREEMENTS THAT ATTEMPT TO RAISE COMMODITY PRICES OVER THE LONG TERM AS A MEANS OF TRANSFERRING RESOURCES TO COMMODITY PRODUCING COUNTRIES.

12. MR. COOPER ALSO SAID THAT WHILE WE MIGHT BE ABLE TO AGREE TO A COMMON FUND, WE COULD NOT AGREE TO A COMMON FUND WHICH ESTABLISHED A POOL OF FINANCING PRIOR TO HAVING DETERMINED THE NEED, FEASIBILITY AND FINANCING REQUIREMENTS OF BUFFER STOCKS FOR INDIVIDUAL COMMODITIES. MR. COOPER NOTED THAT WE WERE WILLING TO DISCUSS A COMMON FUND AND ITS MODALITIES IN PARALLEL WITH DISCUSSIONS AND NEGOTIATIONS CONCERNING INDIVIDUAL COMMODITIES, BUT THAT WE COULD NOT MAKE PRIOR FINANCIAL COMMITMENTS.

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13. SECOND, MR. COOPER SUGGESTED THAT PROGRESS COULD BE MADE ON THE PROBLEM OF INTERNATIONAL DEBT. MR. COOPER SAID THAT WHEN HE FIRST CAME INTO GOVERNMENT HE HAD HEARD

THAT DEBT WAS AN ISSUE AT CIEC. HE THOUGHT THAT THIS WAS QUITE APPROPRIATE SINCE THERE WAS INDEED A SERIOUS PROBLEM OF INTERNATIONAL DEBT. THE SURPLUSES OF A FEW OIL-PRODUCING COUNTRIES AND THE WIDE DIVERGENCIES IN ECONOMIC POLICIES AND PERFORMANCE AMONG COUNTRIES GENERATED A SUBSTANTIAL NEED FOR INCREASED INTERNATIONAL DEBT AND MEASURES TO PROPERLY MANAGE THAT DEBT. MR. COOPER NOTED, HOWEVER, THAT THE DEBT ISSUE BEING RAISED IN CIEC WAS DIFFERENT. THE PROBLEM WAS RAISED IN CIEC BY THE POOREST COUNTRIES, MANY OF WHOM DO NOT HAVE VERY LARGE INTERNATIONAL DEBTS BECAUSE OF THEIR LIMITED ACCESS TO INTERNATIONAL CAPITAL MARKETS. MR. COOPER SUSPECTED THAT CONCERNS FOR DEBT RELIEF IN CIEC WERE REALLY A MANIFESTATION OF A DESIRE TO INCREASE RESOURCE TRANSFERS TO POOR COUNTRIES. INDEED, MANY LDC'S HAD THEMSELVES IDENTIFIED DEBT RELIEF WITH RESOURCE TRANSFER. MR. COOPER THOUGHT, THEN, THAT THE STRESS IN CIEC SHOULD BE ON RESOURCE TRANSFERS AND NOT SO MUCH ON THE DEBT PROBLEM.

14. MR. COOPER NOTED, HOWEVER, THAT THE U.S. AND THE EUROPEAN COMMUNITY HAD PUT FORWARD A PROPOSAL THAT WOULD ESTABLISH PROCEDURES AND GUIDELINES FOR A CASE-BY-CASE

REVIEW OF THE DEBT PROBLEMS OF THE POOREST COUNTRIES IN THE CONTEXT OF THEIR OVERALL BALANCE OF PAYMENTS PROBLEMS AND DEVELOPMENT NEEDS. HE THOUGHT THAT THIS WAS A USEFUL PROPOSAL AND ONE THAT SHOULD BE ACCEPTED BY THE CIEC PARTICIPANTS. MR. COOPER ALSO INDICATED THAT THE UNITED STATES WAS SERIOUSLY DISCUSSING PROPOSALS TO INCREASE THE AVAILABILITY OF INTERNATIONAL FINANCING THROUGH THE IMF AND THAT THIS FINANCING MIGHT BE ESPECIALLY USEFUL FOR DEVELOPING COUNTRIES WITH LARGE DEBT BURDENS.

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15. THIRD, PROGRESS COULD BE MADE ON THE QUESTION OF OFFICIAL DEVELOPMENT ASSISTANCE. MR. COOPER POINTED OUT THAT THE EUROPEAN COUNTRIES HAD BEEN DEVELOPING PROPOSALS FOR A SPECIAL ACTION PROGRAM AIMED AT INCREASING RESOURCE TRANSFERS FOR THE POOREST COUNTRIES. MR. COOPER NOTED THAT SOME EUROPEANS WERE SUGGESTING THAT THE SPECIAL ACTION PROGRAM TAKE THE FORM OF INCREASED CONTRIBUTIONS TO IDA, BUT THIS WOULD CAUSE SERIOUS PROBLEMS FOR THE U.S. THE U.S. CONTRIBUTION TO IDA V SHOULD NOT BE JEOPARDIZED BY ADDITIONAL REQUESTS TO THE U.S. CONGRESS FOR IDA CONTRIBUTIONS. MR. COOPER NOTED, HOWEVER, THAT THE U.S. COULD PARTICIPATE IN A SPECIAL ACTION PROGRAM BY INCREASING ITS BILATERAL ASSISTANCE EFFORTS TO THE POOREST DEVELOPING COUNTRIES.

16. FOURTH, MR. COOPER NOTED THE POTENTIAL FOR PROGRESS IN CIEC ON ENERGY ISSUES. HE SAID THAT THE ENERGY PROBLEM WAS A GLOBAL PROBLEM WHICH COULD BE ATTACKED FROM EITHER THE CONSERVATION SIDE OR THE SUPPLY SIDE. ENERGY CONSERVATION WAS OVERWHELMINGLY A PROBLEM AND RESPONSIBILITY OF INDUSTRIALIZED COUNTRIES. ON THE SUPPLY SIDE, DEVELOPED COUNTRIES COULD ASSIST THE DEVELOPING COUNTRIES INCREASE ALTERNATIVE ENERGY SUPPLIES. THE U.S. WOULD BE SYMPATHETICALLY INCLINED TOWARDS INCREASED FINANCING OF ENERGY PROJECTS BY THE WORLD BANK. THE NEED FOR ENERGY FINANCE SHOULD BE KEPT IN MIND WHEN CONSIDERING THE PROPOSED GENERAL CAPITAL INCREASE OF THE WORLD BANK. THE U.S. PROPOSED TECHNICAL ASSISTANCE AND TECHNICAL COOPERATION THROUGH AN INTERNATIONAL ENERGY INSTITUTE. IF THERE WERE INTEREST IN THIS PROPOSAL ON THE PART OF THE DEVELOPING COUNTRIES, THE U.S. WOULD BE PREPARED TO GO FORWARD WITH IT. MR. COOPER ALSO NOTED THE DESIRABILITY FOR SOME KIND OF CONTINUING DIALOGUE AMONG ENERGY PRODUCERS AND CONSUMERS.

17. MR. WIDJOJO EXPRESSED APPRECIATION FOR THE THOROUGH OVERVIEW GIVEN BY MR. COOPER. HE SAID THAT CONSULTATIONS
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OF THIS SORT WERE EXTREMELY IMPORTANT AND OUGHT TO "ONTINUE. WE SHOULD AVOID, HE SAID, THE EXPERIENCE OF UNCTAD IN NAIROBI LAST YEAR IN WHICH THE U.S. PUT FORWARD PROPOSALS WHICH CAME AS A COMPLETE SURPRISE TO THE GROUP OF 77 AND WERE GREETED UNNECESSARILY BY SUSPICION AND HOSTILITY. MR. COOPER AGREED STRONGLY ON THE NEED FOR CONSULTATION BEFORE MAJOR NORTH-SOUTH MEETINGS SUCH AS THE UPCOMING MINISTERIAL MEETING OF CIEC. HE INDICATED THAT HE WOULD CONSULT WITH SEVERAL OTHER COUNTRIES NOT ONLY WITH THE INDONESIANS, WHO WERE THE FIRST OF THE DEVELOPING COUNTRIES THAT HE HAD APPROACHED.

18. MINISTER WIDJOJO SAID THAT INDONESIA HAD BEEN PLAYING AN ACTIVE ROLE IN THE GROUP OF 77 IN THE LAST COUPLE OF YEARS FOR TWO REASONS. FIRST, THE INDONESIANS FELT THAT IF THE NORTH-SOUTH DIALOGUE WERE TO CONTINUE ON A CONFRONTATIONAL AND ACrimonious PATH, INDONESIA'S REAL INTERESTS WOULD BE JEOPARDIZED. INDONESIA HAD A STRONG INTEREST IN SEEING THE NORTH-SOUTH DIALOGUE EVOLVE IN A COOPERATIVE AND CONSTRUCTIVE FASHION. SECONDLY, INDONESIA FELT STRONGLY ABOUT THE COMMODITY ISSUE AND THE NEED FOR MORE STABILITY OF COMMODITY PRICES. THE INDONESIAN CONCERN ABOUT COMMODITIES WAS ALSO SHARED BY MANY OTHER COUNTRIES IN SOUTHEAST ASIA. WHEN INDONESIA AGREED TO GO TO CIEC, IT MADE SURE THAT IT WOULD BE APPOINTED TO THE COMMODITIES

COMMISSION, WHERE ITS ROLE IS TO REPRESENT NOT ONLY INDONESIA'S INTERESTS BUT ALSO THOSE OF THE OTHER SOUTHEAST ASIAN NATIONS.

19. MINISTER WIDJOJO SAID THAT IT WAS IMPORTANT TO SHOW THAT CIEC COULD ACCOMPLISH CONCRETE RESULTS. INDONESIA WAS CONCERNED THAT IF CIEC WERE A FAILURE, THE LOCUS OF NORTH-SOUTH DIALOGUE WOULD GO BACK TO THE UNITED NATIONS GENERAL ASSEMBLY WHICH TENDED TO BE A HIGHLY POLITICIZED AND OFTEN UNCONSTRUCTIVE FORUM. MINISTER WIDJOJO AGREED

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WITH MR. COOPER THAT CIEC SHOULD NOT BE A NEGOTIATING FORUM AND THAT CIEC SHOULD IDENTIFY PROBLEMS AND RECOMMEND ACTION BY OTHER FORA.

20. MINISTER WIDJOJO SAID THAT CIEC HAS BECOME A SYMBOL OF THE NORTH-SOUTH DIALOGUE. IF IT ENDS IN DISAGREEMENT AND HARSH STATEMENTS BY BOTH SIDES, IT WILL BE DIFFICULT TO PREVENT DISCUSSIONS IN OTHER FORA FROM DETERIORATING. BOTH DEVELOPED AND DEVELOPING COUNTRIES WILL HARDEN THEIR POSITIONS AND MAKE IT DIFFICULT TO REACH CONSTRUCTIVE

RESULTS. A SUCCESSFUL CIEC MAY HELP IN GETTING THE SOVIET UNION AND THE EAST EUROPEANS TO PLAY A MORE RESPONSIBLE ROLE IN INTERNATIONAL DEVELOPMENT. IF CIEC IS A FAILURE,

ATTENTION WILL BE DIVERTED AND THE SOVIETS CAN MORE EASILY ESCAPE RESPONSIBILITY.

21. WIDJOJO SAID THAT FEELING IS MOST STRONG AMONG THE GROUP OF 77 ON THE COMMODITY ISSUE. THE COMMODITY ISSUE IS FAR MORE IMPORTANT THAN THE OTHER ISSUES BEING DISCUSSED AT CIEC AND IF PROGRESS CAN BE MADE ON COMMODITIES, THE OTHER ISSUES WILL BE LESS OF A PROBLEM.

22. WIDJOJO ASSURED MR. COOPER THAT THE PREVAILING VIEW AMONG THE GROUP OF 77 WAS THAT COMMODITY AGREEMENTS SHOULD NOT BE MISUSED. AGREEMENTS SHOULD BE DESIGNED TO MAINTAIN STABILITY OF PRICES IN A RANGE MUTUALLY AGREED BY PRODUCERS AND CONSUMERS. WIDJOJO SAID THAT THE GROUP OF 77 CAN BE PERSUADED THAT COMMODITY AGREEMENTS SHOULD NOT RAISE PRICES TO TRANSFER RESOURCES.

23. WIDJOJO ALSO SAID THAT THE G77 HAD A REALISTIC VIEW ABOUT THE RELATIONSHIP BETWEEN INDIVIDUAL COMMODITY AGREEMENTS AND THE COMMON FUND. THE PREVAILING VIEW AMONG THE GROUP OF 77 IS THAT COMMODITY AGREEMENTS SHOULD MAINTAIN THEIR AUTONOMY.
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24. THE G77 IS SUSPICIOUS OF PARALLEL NEGOTIATIONS ON A COMMON FUND AND ON INDIVIDUAL AGREEMENTS. THE G77 HAS TH:

STRONG FEELING THAT WITHOUT A COMMON FUND NO RESULTS ARE ACHIEVABLE IN REGARD TO THE INDIVIDUAL COMMODITY AGREEMENTS. THE OLD CASE-BY-CASE APPROACH TO INDIVIDUAL AGREEMENTS HAS OFTEN RESULTED IN NO AGREEMENTS BEING REACHED OR, WHEN AGREEMENTS ARE REACHED, A LACK OF ADEQUATE PROVISIONS FOR FINANCING OF BUFFER STOCKS. WIDJOJO SAID A COMMON FUND IS NECESSARY TO GET LOANS FROM THE OPEC SPECIAL FUND AS WELL AS INDIVIDUAL OPEC MEMBERS. A COMMON FUND COULD ALSO MORE EASILY BORROW ON PRIVATE CAPITAL MARKETS THAN INDIVIDUAL, PRODUCER-FINANCED COMMODITY AGREEMENTS.

25. MR. COOPER SAID THAT HE WAS UNCOMFORTABLE WITH THE NOTION THAT A COMMON FUND WOULD HAVE ITS "OWN RESOURCES," BUT HE COULD UNDERSTAND THE ARGUMENT FOR HAVING A COMMON FUND BORROW ON BEHALF OF INDIVIDUAL COMMODITY ARRANGEMENTS.

26. MINISTER WIDJOJO THEN TURNED TO AMBASSADOR ALATAS TO ELABORATE FURTHER ON G77 VIEWS ON THE COMMODITIES ISSUE. ALATAS SAID THAT THE AIM OF THE G77 WAS TO ACHIEVE ASSURED AND ADEQUATE FINANCING OF BUFFER STOCKS BY BOTH PRODUCERS AND CONSUMERS. WHETHER THE FINANCE WAS MADE AVAILABLE PRIOR TO INDIVIDUAL COMMODITY AGREEMENTS OR AFTER INDIVIDUAL COMMODITY AGREEMENTS WAS NOT SO IMPORTANT AS ACHIEVING FIRM COMMITMENTS BY PRODUCERS AND CONSUMERS TO PROVIDE ADEQUATE FINANCING FOR BUFFER STOCKS.

27. ALATAS SAID THAT THE G77 VERSION OF THE COMMON FUND WAS NOT THE SAME AS THE UNCTAD SECRETARIAT VERSION. THE G77 FELT THAT A NUMBER OF ASPECTS OF THE UNCTAD SECRETARIAT PROPOSALS WERE UNREALISTIC. FOR EXAMPLE, HE SAID, THE G77 DO NOT WANT A DIRIGISTE COMMON FUND THAT WOULD INTERVENE DIRECTLY INTO COMMODITY MARKETS. SOME OF THE
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UNCTAD IDEAS ABOUT FINANCING OF DIVERSIFICATION THROUGH A COMMON FUND ARE ALSO UNWISE.

28. ALATAS SAID THAT SOME HAVE SUGGESTED THAT EXISTING FINANCING INSTITUTIONS, SUCH AS THE WORLD BANK OR THE IMF, PROVIDE BUFFER STOCK FINANCING. ALATAS ARGUED VERY STRONGLY THAT THE COMMON FUND OUGHT TO BE A SEPARATE ORGANIZATION. HE SAID THAT IF A COMMON FUND WERE PART OF THE WORLD BANK, THE SOCIALIST COUNTRIES WOULD HAVE AN IMMEDIATE EXCUSE NOT TO PARTICIPATE. HE FELT IT WAS VERY IMPORTANT TO USE THE COMMON FUND AS A MECHANISM FOR ENCOURAGING THE COMMUNIST COUNTRIES TO PLAY A MORE MEANINGFUL ROLE IN INTERNATIONAL ECONOMIC COOPERATION.

29. ALATAS THOUGHT THAT WE NEEDED A COMPROMISE BETWEEN THE G77 VIEW OF A COMMON FUND AS A CENTRAL SOURCE OF

FINANCE AND THE GROUP B VIEW OF A COMMON FUND AS A POOL OF FINANCING FROM INDIVIDUAL COMMODITY ARRANGEMENTS. HE THOUGHT THAT A COMBINATION OF POOLING PLUS "OWN RESOURCES" MIGHT BE THE BASIS FOR A COMPROMISE.

30. ALATAS, HOWEVER, MADE A STRONG PLEA TO PROVIDE AN INITIAL AMOUNT OF "OWN RESOURCES" FOR THE COMMON FUND IN THE ORDER OF 1 BILLION DOLLARS. HE SAID THAT ACCORDING TO THE FORMULAE THAT HAD BEEN DISCUSSED, THE U.S. CONTRIBUTION WOULD ONLY AMOUNT TO ABOUT 120 MILLION DOLLARS AND THE GERMAN CONTRIBUTION WOULD ONLY BE ABOUT 80 MILLION DOLLARS. HE FELT THAT THIS WAS A SMALL PRICE TO PAY FOR AN INSTITUTION THAT COULD PROVIDE SUBSTANTIAL BENEFITS TO BOTH PRODUCERS AND CONSUMERS.

31. MR. FRANK MADE THE OBSERVATION THAT IT WOULD BE DIFFICULT FOR US TO ACHIEVE MUCH PROGRESS ON A COMMON FUND UNTIL WE HAD MADE FAR MORE PROGRESS IN THE INDIVIDUAL COMMODITY DISCUSSIONS. THIS POINT WAS ACCEPTED BY THE
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INDONESIANS.

32. THE MEETING ENDED IN AN AGREEMENT TO CONTINUE DIS-

CUSSIONS BETWEEN UNDER SECRETARY COOPER AND MINISTER
WIDJOJO ON COMMODITIES, CERTAINLY AT THE CIEC MINISTERIAL
IF NOT BEFORE.

33. COMMENT. ADDRESSEE POSTS MAY USE, AS BACKGROUND,
MATERIAL REPORTED ABOVE AS PART OF UNDER SECRETARY
COOPER'S BRIEFING OF MINISTER WIDJOJO ON NORTH-SOUTH
ISSUES. SPECIFIC INSTRUCTIONS ON PRESENTATION OF U.S.
VIEWS ON CIEC AND THE NORTH-SOUTH DIALOGUE ARE CONTAINED
IN SEPTTEL TO SELECTED ADDRESSEE POSTS.
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